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PROGRAM MANAGEMENT COURSE INDIVIDUAL STUDY PROGRAM

SOCIO-ECONOMIC PROGRAMS
AND THE DoD BUDGET

STUDY REPORT
PMC 74-1

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STUDY TITLE:

Socio-Economic Programs and the DoD Budget

STUDY GOALS: In light of criticism on the size of the Defense Budget and factors such as increased weapons cost and inflation, the intent is to call attention to the growing impact of socio-economic programs on the DoD procurement process and to make recommendations to reexamine the effectiveness of the DoD procurement process as a vehicle to advance socio-economic goals.

STUDY REPORT ABSTRACT

The government role in shaping a healthy economy has undergone significant changes. From a hands off policy in the last century, the government's role in business is increasing and is becoming more involved. One aspect of involvement concerns socio-economic programs, the intent of which are designed to carry out a multitude of social objectives. The pursuit of these objectives, through the DoD procurement process causes increases in time, manpower and money. In light of decreasing buying power, lack of sufficient funds and inflation, the appropriateness of the DoD procurement process as a vehicle for advancing these objectives is questionable. Also considering criticism by the public, press, and congress on the size of the DoD budget, it is mandatory that the impact of these socio-economic programs be quantified, so that accurate and appropriate budget levels may be planned for and justified.

KEY WORDS: RESOURCES MANAGEMENT BUDGETS NATIONAL ECONOMY NATIONAL PROGRAM

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SOCIO-ECONOMIC PROGRAMS
AND THE DoD BUDGET

An Executive Summary
of a
Study Report
by

Anthony J. Asterita
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May 1974

Defense Systems Management School
Program Management Course
Class 74-1
Fort Belvoir, Virginia 22060

EXECUTIVE SUMMARY

It has been the government's traditional role to maintain a "hands off" or laissez-faire policy toward business. This policy has had a simple and straightforward appeal that has made it a part of the unconscious belief of a large number of people. It was the basis for the idea that the best economic policy arises from the uncontrolled action of individuals, and that government is best which governs least.

Around the turn of the century, this role began to change. Beginning in 1892 with the enactment of the eight hour laws, the Government has placed requirement upon requirement on the procurement process to further its national objectives in the socio-economic arena. As of late, these requirements are accumulating at an ever increasing rate, and although the cumulative impact in terms of increased time, manpower, and money is considerable, its exact impact is uncertain.

This, coupled with the problems of inflation, rising salaries, insufficient funds, and loss of buying power of the dollar pose a serious dilemma to the DoD. How can the procurement process efficiently support the socio-economic goals which are of secondary importance while there is insufficient funds to purchase the required goods and services to support the DoD objective of military sufficiency?

(To add to the problem is the frequent criticism by both the press and Congress of the size of the DoD budget. Such criticism is especially disturbing when one realizes that these critics are totally unaware of the fact that the DoD procurement process is used to advance socio-economic objectives.)

The original intent of this paper was to ascertain the quantitative impact of the socio-economic programs on the procurement process. However, as work proceeded, it was obvious that there was very little quantitative data on the subject. In fact, the only statement that can be made is that the cost burden in extra time, manpower, and money of pursuing non-procurement objectives through the procurement process cannot be ascertained, though it can be said with certainty that these costs are significant. Comments and statement by politicians and top government procurement experts are varied. However, all are in agreement that the government must be a pace setter and that the socio-economic programs via the DoD budget are a way of life.

Given that the socio-economic programs incorporated into the DoD procurement process have an adverse effect in terms of manpower, time, and money and given that the effect also causes uncertainty as to the actual proportion which goes toward actual defense spending, the following recommendations are presented.

(iii)

Recommendation No. 1

That DoD undertake a vigorous public relations program to inform the public, press, and congress that a "sizeable" proportion of the DoD budget is devoted toward furthering the social and economic objectives of the nation. Most important is that DoD officials should take advantage of their frequent contact with the news media to re-emphasize the fact that the procurement process in DoD is used as a vehicle to advance socio-economic programs.

Recommendation No. 2

That the DoD conduct a study to ascertain both the quantitative and qualitative effect of the socio-economic programs on the DoD budget. Such a study is required before we can evaluate the cost effectiveness and hence appropriateness of the procurement process to advance socio-economic programs.

Recommendation No. 3

Establish an office within DoD which reports directly to the Under Secretary of Defense to obtain an overview of the effects that each new socio-economic requirement will have on the procurement process. This agency would have the functions of observing and making recommendations.

Recommendation No. 4

As an interim measure, require that each defense contractor estimate the impact of socio-economic programs on selected procurements.)

Recommendation No. 5

Require that legal procedures be established which would exempt particular DOD procurements from socio-economic programs. This would be necessary since these programs are implemented by public law. These particular procurements could be identified as exempt because of certain thresholds exceeded as a result of the socio-economic programs. This recommendation would be implemented pending approval by congress permitting amendments to the original legislation implementing the socio-economic programs.

The relevancy of the procurement process as an appropriate vehicle for socio-economic programs cannot be evaluated until more data are available. It is not the intent of this paper to refute these programs; certainly, they are worthwhile. Rather it is hoped that this paper will serve to call attention to a little known problem which is almost a century old, and because of evolution, may not pass the test of relevancy.

SOCIO-ECONOMIC PROGRAMS
AND THE DoD BUDGET

STUDY REPORT

Presented to the Faculty
of the
Defense Systems Management School
In Partial Fulfillment of the
Program Management Course
Class 74-1

by

Anthony J. Asterita

MAJOR USAF

May 1974

This study represents the reviews, conclusions, and recommendations of the author and does not necessarily reflect the official opinion of the Defense Systems Management School nor the Department of Defense.

CONTENTS

	Page
Executive Summary	ii
Introduction	1
Data Collection	7
Addressing the Problem	13
Recommendations	25
Implication for the Program Manager	29
Conclusion	30
Annotated Bibliography	31

SOCIO ECONOMIC PROGRAMS AND THE DOD BUDGET

Introduction

A. Problem

The Department of Defense is faced with a growing problem that is becoming more serious. We do not have the required money to support an adequate defense posture both today and in the foreseeable future. Several factors aggravate this problem. Two of the most predominant are the rising cost of weapon systems and the loss of buying power of the dollar. The situation is such that we must either get by with fewer systems, a smaller defense force, or find ways to reduce acquisition and operating costs. Moreover, the cost of defense systems has been rising over a twenty year period at roughly five times the rate of national inflation. In the 1966-71 period, industrial commodities rose 22% while weapon systems in general were rising 300% (1:1). The comparison of similar systems of World War II and today is dramatic. For example in 1943, the B17 cost a little over \$200,000 while in 1969, the FB-111 cost about \$10 million. Obviously capability has greatly increased, but the overall cost of acquiring this capability prompted

Senator Stennis, Chairman of the Armed Services Committee
to state.

If the weapons we develop are so costly that we cannot afford enough of them, and if they are so technically complex that they are unreliable and difficult to maintain, we have done the nation a disservice by developing them. (1:2)

A decreasing defense budget, increased payroll costs coupled with inflation and lack of visibility, have further reduced available dollars for defense.

One other factor compounds the problem further, and that is the impact of the socio-economic and special interest programs on the DOD budget. These programs implemented by national policy are attached to Government outlays for procurement. The cost burden in extra time, money, and manpower for pursuing these non-procurement objectives through the procurement process has not been precisely measured although there is agreement that these increased costs are considerable. Herein lies the problem. Perhaps the most serious aspect of this problem is that it is not sufficiently recognized, and that its impact increases as new requirements accumulate. It is most disturbing to hear or read about comments made by Congressmen, or the press that the DOD budget is too large. It is too often the case that individuals criticizing the size of the budget are totally unaware that the DOD procurement process is a vehicle used for the advancement of socio-economic goals.

B. Purpose

In light of the criticism of the size of the DoD budget and factors such as the increased cost on weapons, inflation etc., it is important that the relationship of socio-economic programs with the DoD budget be described. There is a need, therefore to inform the public, press, and Congress as to the proportion of the DoD budget which is devoted to the support of non-mission objectives. Since quantified data is almost non-existent, deriving actual figures in increased cost and manpower is beyond the scope of this paper. There is little, or more appropriately said, almost no data available on the cost of socio-economic programs.

On the other hand, it does appear that data of this nature are needed if one is to point out the merits and costs effectiveness of the socio-economic programs.

It is the purpose of this paper therefore, to make appropriate recommendations to call attention to this problem and to reexamine the appropriateness of pursuit of socio-economic programs via the procurement process within the DoD.

C. Dilemma

In a macro-look, it may well be cost effective for the government and society at large to use the leverage of the procurement process for achieving selected national objectives.

It is doubtful, however, that such achievement is effective for the procurement process itself.

Herein lies the dilemma, and this dilemma cannot be resolved by simply disengaging the procurement process from the other objectives attached to it through many decades. However, there are limits to the number of such objectives that the procurement process can support.

D. Definition

1. Socio-Economic - In its broadest sense, includes the advancement of social goals through economic measures. In the context of this paper, socio-economic programs are those requirements that are attached to the DoD procurement process for the purpose of;

- a. Establishing fair wages and working conditions.
- b. Promoting domestic business and the domestic economy.
- c. Eliminating unemployment and providing trading and job opportunities.
- d. Establishing fair employment practices.
- e. Promoting minority business concerns.
- f. Protecting the environment.
- g. Providing for effective utilization of resources.

2. Examples: There are more than 40 socio-economic programs. Eight of these have been frequently associated with DoD contracts. These 8 are:

- a. Equal Employment Opportunity - To prohibit discrimination in government contracting.

b. Small business set asides - The policy of assuring a fair proportion of contracts for small businesses.

c. Section 8(a) Awards - To assist small firms owned by disadvantaged persons to become self-sufficient, viable businesses which are capable of competing.

d. Davis-Bacon Act - To prescribe minimum wages, benefits, and work conditions on construction contracts in excess of \$2,000.

e. Service Contract Act - To prescribe wages, fringe benefits, and work conditions for service contracts.

f. Labor Surplus Set Asides - To provide preference to concerns performing in areas of concentrated unemployment or underemployment.

g. Buy American Act - To provide preference for domestic materials over foreign materials.

h. Balance of Payments Program - To limit purchase of foreign end products and services for use abroad.

E. Limitations

When I undertook the task of writing this paper, my enthusiasm was high because I felt this area requires immediate attention. I planned to research existing materials and interview various procurement experts to see what these costs were. As I progressed, however, my enthusiasm weakened as it became evident that there was very little quantitative data on the subject. One fact became clearer as time went on:

The cost burden in extra time and money of pursuing nonprocurement objectives through the procurement process cannot be precisely measured, even though we can say with certainty that these costs are significant. For some programs, incremental costs of administration can be identified as when a "line item" is requested for administration of fair employment practices. In most cases, however, costs are absorbed within the procurement process itself, without any ready means to identify them.

Data Collection

In efforts to obtain quantitative data concerning cost of socio-economic programs, I contracted several procurement experts in both DOD and industry. In every case I was informed that such data was almost non-existent and that only rough estimations have been made to date. A search through DDC identified 62 finds in the area of socio-economic programs and procurement, however no quantitative data was found.

Fortunately, I did find some isolated data regarding little parts of the big picture. In an attempt to at least address the topic, I have developed some data which will give some examples of the cost of one aspect of the socio-economic programs, the Section 8(a) contracting which has been appended upon the federal procurement process in an attempt to develop viable small business enterprises owned by socially or economically deprived segments of our society.

In 1969, a special census report prepared by the Department of Commerce, disclosed that there were 35 million minority Americans in the United States constituting 17% of the total population. This same minority group owned only 4% of American business which in turn accounted for less than 1% of the nation's gross business receipts.

It is appropriate to briefly review the growth of 8(a) contracting. The program was initiated in FY 1968 and since then, the number and dollar value of 8(a) contracts has increased dramatically. Fig 1 depicts that growth.

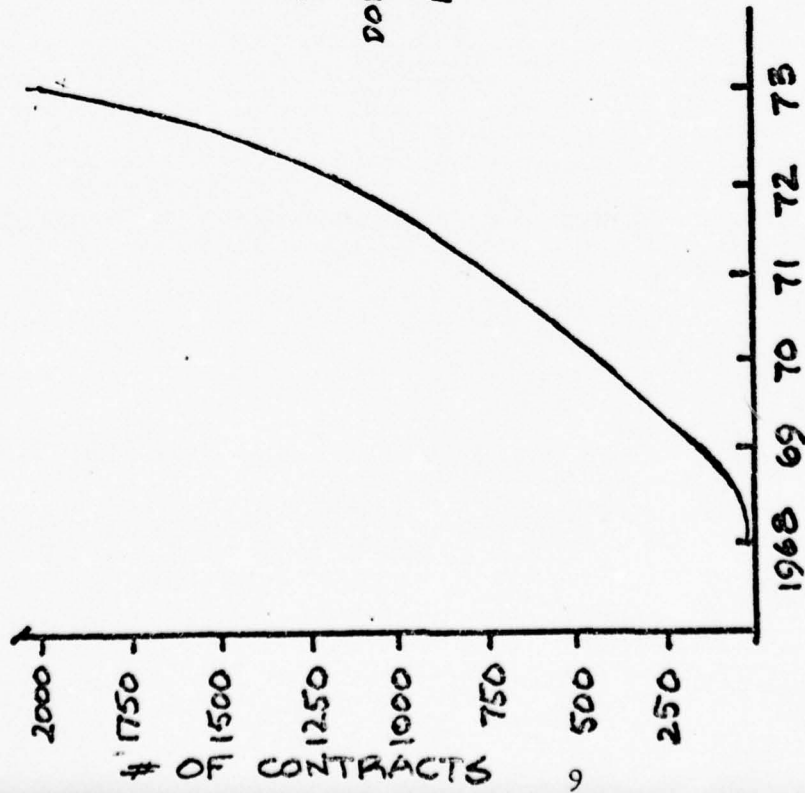


FIG 1A

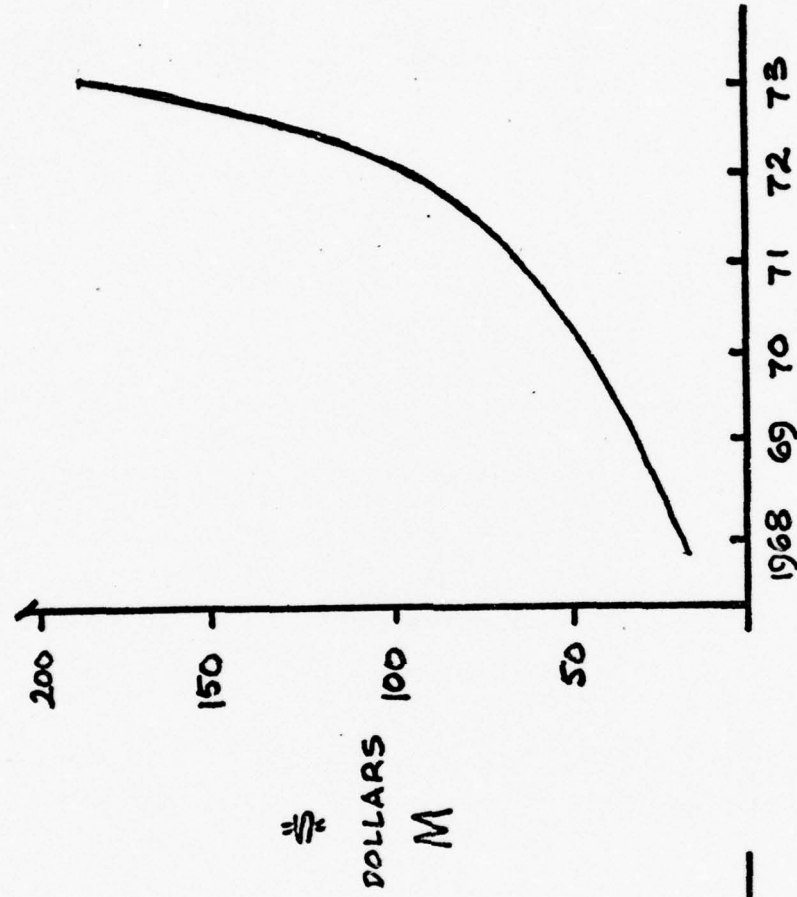


FIG 1B

GROWTH IN $B(a)$ CONTRACTING

That remarkable six-year period plus the first month of FY 1974 saw a total of 4,876 contracts being awarded amounting to \$479,978,652. These data were obtained from Small Business Administration reports.

About half of the total 8(a) awards were made from the DoD, with the Army awarding about half of the DoD 8(a) contracts. Fig 2 shows the Distribution of Total 8(a) Contract Dollars to date among the three services and other government agencies.

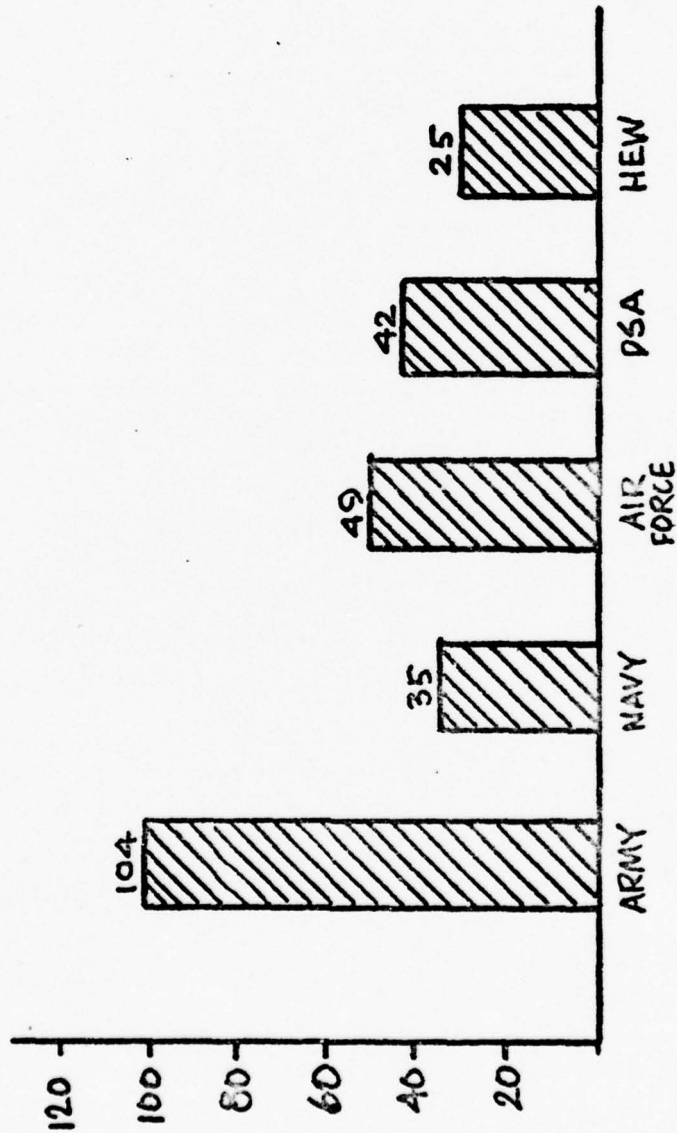


FIG 2
DISTRIBUTION OF $\delta(a)$ CONTRACT DOLLARS

The results are interesting. There have been 100 8(a) contracts terminated, amounting to \$17,151,078. Dollar-wise this seems low, but lacking knowledge of over-all termination statistics government-wide, further discussion will be deferred. According to SBA reports, at the end of first quarter FY 74, there were 3,001 contracts open. Of these, 1/3 were on schedule. These on schedule (1/3 or 1,013) represent over 1/2 of the contract value of open contracts.

One other data point was obtained. This was from a presentation by Captain L. E. Hopkins, USN, Chairman, Armed Services Procurement Regulation Committee at a Procurement Conference on 27-29 Sept 1972. In his presentation, Captain Hopkins said that an informal survey on the Office of the Secretary of Defense, Army, Navy, Air Force and DSA estimated that Equal Employment, Small Business and Section 8(a) programs alone cost \$396 million per year. He pointed out that the departmental inputs on both direct cost estimates of \$15 million and indirect cost estimates of \$381 million consisted of variable mixes and cost projections.

Addressing the Problem

A. History

The history of bringing about social change through the procurement process goes back more than 80 years and since that time, the procurement process has been used again and again with requirements piled upon requirements such that the accumulated impact in increased time and cost is considerable, although undefined.

One of the earlier attempts to bring about social change through the procurement process was the enactment of the Eight Hour Laws, a series of statutes setting standards for hours of work.

In 1892 the eight hour day was first extended to workers employed by contractors and subcontractors engaged in federal projects. In 1904 an Executive Order by President Theodore Roosevelt prohibited the use of convict labor on Government Contracts, thereby implementing through the procurement process, an 1881 statute prohibiting the hiring out of convict labor. An awareness of the potential of the Government contract as a means of promoting social and economic objectives developed during the depression of the 1930's. In the face of high unemployment and depressed wages, Congress enacted the Buy

American Act and most of the labor standards legislation relating to public contracts, including the Davis-Bacon Act, the Walsh-Healy Public Contract Act, and the Copeland "Anti-Kickback" Act. This time period also produced the Federal Prison Industries Act and the Wagner O' Day Act. These established preferences for products by Federal prisoners and the blind.

War mobilization also gave impetus for accomplishing non procurement objectives. Laws requiring nondiscrimination in employment by government contractors are among measures which originated during World War II when maximum use of the Nation's manpower and resources was a chief concern. This concern also gave birth to the program begun in 1952 for placing Government contracts in labor surplus areas. Several programs gained new emphasis in the late 1960's as part of the Government effort to provide more jobs in slum areas.

In 1967, the procurement preference for "areas of persistent or substantial labor surplus" was expanded to include a new preference category, "sections of concentrated unemployment or underemployment", aimed at reducing urban unemployment. Similarly, although Section 8(a) of the Small Business Act is aimed at small business generally, it has become the instrument of a special Government program to create and upgrade minority-owned business firms.

Today the DoD Procurement process is being recognized again and again as a convenient tool for implementing government policies. New and diverse national programs are born every year and their ramifications have a tendency to multiply. These all impact the procurement process at an increasingly rapid rate. A recent example is its application to support the employment needs of Vietnam veterans by requiring Government contractors and subcontractors to list employment openings. These firms are also required to promote training opportunities in construction crafts by requiring the employment of apprentices and trainees on Federal projects.

Looking into the future, new proposals are currently being advanced to incorporate into the process such as the Nations efforts to lessen air and water pollution. Other social measures are on the horizon, such as the Noise Control Act of 1972 and the Vietnam Veterans Readjustment Assistance Act of 1972. Both of these measures will add still another increment of expense on the procurement process. What is the cost of all these programs? It is unfortunate to state that no one, not even the most knowledgeable procurement experts know with any accuracy. Meanwhile, the rapid rate of implementation of these programs is accelerating. Is it illogical to predict that the cost of these programs may someday be greater than that of the procurement objectives? If the current situation is allowed to continue, that day may not be far into the future.

B. Consequences

It is not the purpose of this paper to measure the cost effectiveness of these programs. After all, how does one place of value on the elimination of slum neighborhoods, or pollution or the prevention of substandard labor conditions, or the retention of an American source for possible strategic materials or products. All these goals have ramifications which play back on to the economy and have beneficial social and economic effects. We do believe, however, that a reasonable assessment can and should be made of the cost these programs impose on the procurement process and of the results of these programs. Only then will we determine if the procurement process is an effective and appropriate vehicle for their implementation.

Although the pursuit of national goals is certainly worthwhile, the effectiveness of the procurement process as an effective vehicle for implementation is at best, questionable. For example, even though a large share of the government procurement dollar is spent for commercial products, sales to the government amounted to less than two percent of the nations total commercial sales in 1967 (3:12). The problems engendered by use of the procurement process in the implementation of national goals are that procurement becomes more costly and time-consuming with the addition of each new social and economic program. The cumulative

effect of programs already imposed on the procurement process and the addition of those contemplated could overburden it to the point of threatening breakdown. At the very best, the imposition of national goals and objectives on the procurement process, as beneficial as they may be, add numerous obligations and administrative complexities for government contracting officers.

Legitimate questions arise as to how much of the extra costs and other burdens of social and economic programs should be absorbed in the procurement process and how much should be supported by more explicit means.

To add to the impact of the socio-economic programs are the administrative consequences which add many complicating factors. Agencies must determine the applicability of the programs to a pending contract and determine the compliance status of the successful bidder prior to contract award and obtain wage determinations in bid solicitation. Implementation of many of these programs require special regulations and the addition of personnel to conduct investigations, make reports, and keep records. These administrative problems are compounded by the division of authority between procurement and regulatory agencies which entail involvement by the Secretary of Labor, Office of Emergency Preparedness, Small Business Administration and the Environmental Protection Agency, as well as the procuring agencies in the process of adopting the procurement process to further the Act's objectives. Other

agencies which often get involved are the Office of Federal Contract Compliance and the Equal Opportunity Commission.

Other administrative consequences include sanctions for violations of certain socio-economic programs. A number of the social and economic laws implemented through the procurement process expressly authorize or direct debarment of a contractor who fails to comply with the requirements of those laws imposed through the contract in question.

Debarment is a severe sanction that can have serious economic consequences to contractors and their employees. If imposition of the sanction also results in termination or cancellation of existing contracts, on-going procurement actions and agency programs may be affected. Besides affecting the procurement objective, this can also deter effective implementation of the socio-economic objective, since both the procuring agency and enforcement agency may be reluctant to take actions that may cause delays and increase costs.

The standards for imposition of debarment and the period of debarment vary with the different social and economic programs. Under some programs an inadvertent violation of the requirements can lead to debarment. It can be surmised, therefore, that, depending on its application, socio economic programs, while furthering national goals, may, at the same time, detract from national security and hence, the intent of the procurement.

C. Problems.

A summary of problems associated with two socio-economics programs are outlined in Table I. The programs, Equal Opportunity (Executive Order 11246) and Service Contract Act (41 USC 351-357) were selected because they are often used on DoD contracts.

TABLE I (2:116)

<u>Act</u>	<u>Enactment Date</u>	<u>Responsible Agency</u>	<u>Problems</u>
Equal Opportu- nity (Executive Order 11246)	1965	Dept of Labor Designated "Compliance Agencies"	<ul style="list-style-type: none"> Contractor may be subject to review by several compliance agencies, particularly when he operates in more than one industry. Complaint may result in contractor being investigated both by OFCC and EEOC for the same alleged violation. Pre-award solicitations and requirements are numerous, confusing, and cause delay. Wage determinations are often improperly made by using "median rates or slotted rates" as prevailing rates. The act is often extended to cover professional engineering and technical employees although it applied only to service employees.
Service Contract Act (41 USC 351-357)	1965	Dept of Labor Comptroller General	

D. Opinions and Statements

In statements from interviews, and meetings with top ranking procurement officials, congressmen, and cabinet members, all expressed concern about the socio-economic impact. At a National Contract Management Association Workshop held on 20 March 1974, Herbert Roback, Staff Director, House Government Operations Committee stated that the question is not whether the federal procurement process is a proper vehicle for socio-economic programs, but how best to manage the process inasmuch as federal procurement "is too imbedded in the economical and social processes to be protected from the facts of life." He further stated that

"the Government must be a pacesetter and set an example in responding to deep-lying national problems such as race discrimination, unemployment, underemployment, substandard wages, and hazardous working conditions."

Mr. Roback also said that he sees politicians as continuing to place requirements on the procurement process for reasons that have little or nothing to do with efficiency. Although the procurement statutes are rarely changed, the annual authorization and appropriation bills for defense and related procurement offer many opportunities for congressmen to run their ideas into the regulatory system. And the bureaucrats will "continue to devise formidable and forbidding sets of regulations to implement these laws."

At a briefing to the students of DSMS, at the Rayburn

Building on 19 March 1974, Congressman Ichord, Armed Services Committee, when asked of his opinion concerning the impact of socio-economic programs recommended that DoD do a study to ascertain that impact.

On 25 February 1974, at hearings on the Pentagon's \$86 billion spending request, with Secretary of Defense James R. Schlesinger as Chief witness, Rep George H. Mahon, Chairman of the powerful House Appropriations Committee claimed that he had been told "with considerable authority" that about \$5 billion had been added to the record new military budget now before Congress to help stimulate the economy. He further stated "there are those who believe, and I am among them; that if the economy were humming and there was not the threat of unemployment, that this budget would not be as big as it is."

"I feel this has the flavor of economic aid to our own economy" Mahon said, as he and some other committee members questioned whether the military budget was a proper tool for economic pump priming.

Schlesinger agreed that Mahon was "quite right" in the sense that "there is a measure of economic stimulation" in the Pentagon request. But he stated that the amount is probably on the order of \$1 billion to \$1.5 billion. As Schlesinger explained it, the "extreme restraints" that would

have been put on the Pentagon had the employment and inflation picture been more normal, were relaxed but only to the extent that the Defense Department was allowed to submit its original \$86 billion request.

It is interesting to speculate what Mahon meant by economic "pump priming" as he went on to say that there "is reason to suspect that some of the defense budget is being used to help out the aircraft industry and take out the slack in the airlines." In light of this statement it is most interesting to note that on 6 May 1974, a Senate Armed Services subcommittee approved \$310.4 million for additional F111 and A7D aircraft for the Air Force. This money had not been requested by either DoD or the Air Force. Congress, however, has been routinely voting extra funds to keep F111 production lines in operation. Beyond this "aid" is the socio-economic impact which by very conservative estimates is several orders of magnitude greater than aid to industries and airlines.

The differences of opinion of the magnitude of aid to the economy (1 billion vs 5 billion) by Schlesinger and Mahon underscore two points. First, and most important, the socio-economic programs, were not even mentioned. The only implications were to the aircraft industry and the airlines. Secondly, budget levels are not adequately planned for as there is no capability in the Government to ascertain

the actual dollar amounts to "stimulate the economy."

Given that the current trend continues, it can be surmised that within a very few years, the situation could get well out of hand. Without any method of quantitative measurement the impact on both the procurement objectives and the goals of the socio-economic programs could be disastrous.

Recommendations

Given that the socio-economic programs incorporated into the DoD procurement process have an adverse effect in terms of manpower, time, and money and given that the effect also causes uncertainty as to the actual proportion which goes toward actual defense spending, the following recommendations are presented.

Recommendation No. 1

That DoD undertake a vigorous public relations program to inform the public, press, and Congress that a "sizeable" proportion of the DoD budget is devoted toward furthering the social and economic objectives of the nation.

The aforementioned discussion between Mr. Mahon and Mr. Schlesinger underscores the fact that, while some government officials may be aware of the DoD budget used as a socio-economic vehicle, the magnitude and breadth of programs is not known.

This campaign to inform should cover all media, including also DoD periodicals, the various Military and Federal Times and government films and T.V.. Additionally, DoD officials should take advantage of their frequent contacts with the news media to re-emphasize as an "important point to note", the fact that the DoD budget is used as a vehicle to advance socio-economic programs.

Recommendation No. 2

That the DoD conduct a study to ascertain the qualitative and quantitative effect of these programs on the budget. It is only after such effects are known can we begin to understand the effectiveness and cost effectiveness of the DoD procurement process as a vehicle for socioeconomic programs. Over the years as the effect of these programs accumulate, there is little evidence that consideration is given to the cumulative effect of existing requirements. Included here then is a need for re-examination for continued relevancy, that is, a means to evaluate the impact on the procurement process when new social and economic objectives are established.

Recommendations No. 3

Establish an office within DoD to act as a central agency to obtain an overview of the effects that each new socio-economic requirement will have on the procurement process. This agency would have a two fold purpose. First, it would keep a "running total" of the socioeconomic impact on the entire procurement process as well as certain pre-selected procurements. Secondly, as the impact builds to levels considered beforehand to be impractical, the agency would inform the appropriate authority for decision and action.

Recommendation No. 4

As an interim measure, require that each defense contractor estimate the impact of socio-economic programs

in terms of increased cost, time and manpower on all procurements over a certain dollar value. This estimate should not entail indepth analysis but only cursory treatment.

• This measure would assist both the program manager and the contractor as the adverse impacts of the non-procurement objectives would be identified early in the program.

Recommendation No. 5.

Require that legal procedures be established which would exempt a particular DoD procurement from socio-economic add-ons. This would be necessary since these programs are implemented by public law. These particular procurements would be identified as exempt because of certain thresholds exceeded as a result of the socio-economic programs. This recommendation would be implemented pending approval by Congress permitting amendments to the original Legislation implementing the socio-economic programs.

Implication for the Program Manager

The impacts of socio-economic programs to the program manager are both immediate and direct. The aforementioned dilemma is especially his, as one of his most pressing concerns is lack of sufficient funds. Socio-economic programs take an unknown share of his budget and aggravate his problem. Also the effect of increased time and manpower further detracts from program performance. The program manager should be aware of these programs and use his best judgement to plan for their effects.

Conclusion

The Government's role in shaping a healthy economy has undergone significant changes. Historically, that is, since the turn of the last century, the basic idea has been that the individual knows his own interests best and therefore acts more in accordance with the laws of nature than that of government. This policy was the basis for laissez-faire or let things take their natural course. Its conclusion was that a country benefited more from individual direction than from government direction.

Today, through evolution, the situation is radically different.

The governments role in business is rapidly increasing and becomes more involved as time goes on. One aspect of involvement concerns socio-economic programs, the intent of which are designed to carry out a multitude of social objectives.

The pursuit of these objectives, through the DoD procurement process causes increases in time, manpower and money. In light of decreasing buying power, lack of sufficient funds, and lack of visibility, the appropriateness of the DoD procurement process as a vehicle for advancing these objectives is questionable.

From time to time throughout our history, there have been occasions where redirection was in order. Perhaps

relevancy is a good word to apply in this case. Too often we have made changes only after we've suffered the consequences of lack of foresight. For example, we have traditionally prepared for future wars by lessons learned from previous wars and have had to start from scratch, often at a disadvantage. In light of today's political and fiscal environment, the military must maintain an ever watchful eye and apply a test of relevancy to all its policies. Just because a policy was appropriate in the past doesn't mean it is still relevant.

The relevancy of the procurement process as an appropriate vehicle for socio-economic programs cannot be evaluated until more data are available. It is not the intent of this paper to refute these programs. Rather it is hoped that this paper will serve to call attention to a problem which many will get out of hand. A problem concerning a policy which is almost a century old, and because of evolution, may not pass the test of relevancy.

Annotated Bibliography

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